

United States Government

Jim [unclear] [unclear]
Department of Energy

memorandum

DATE: MAR 17 1993

REPLY TO: CR-45
ATTN OF:

SUBJECT: Control and Management of Indirect Cost

TO: Distribution

The Department of Energy (DOE), Office of Inspector General (IG), is currently coordinating the Departmental position for Report Number DOE/IG-0318, entitled "Department-wide Audit of Control and Management of Indirect Cost." The IG Report raises certain issues which this office wishes to address by providing appropriate guidance or reaffirming existing policies and procedures applicable to these areas.

The IG reported that DOE's management and operating (M&O) contractors did not always follow the basic causal-benefit relationship for allocation of indirect costs. DOE Order 2200.13, OVERSIGHT OF INTEGRATED CONTRACTOR FINANCIAL MANAGEMENT, dated September 27, 1991, requires Field Chief Financial Officers (CFOs) to periodically review contractors' cost distribution systems to provide DOE management reasonable assurance that (1) the contractors' cost distribution systems are adequate to properly record and distribute labor, materials, other direct costs, and overhead expenses and (2) similar overhead expenses are treated consistently throughout the organization. These reviews should evaluate compliance with the causal-benefit principle of allocating indirect costs as promulgated in the Cost Accounting Standards (CAS). The Field CFO is responsible for resolving any noncompliance or other cost allocation issues which arise as a result of these reviews or during the normal course of business. Issues which cannot be resolved by the Field CFO should be referred to the Departmental CFO for final resolution. Minimum requirements for these reviews were established by a joint DOE-Contractor working group and promulgated in Section 17, Chapter III, of the Department's Field Budget Formulation Handbook (which was included as Attachment F to the FY 1995 Unified Budget Call issued on January 15, 1993 (copy attached)). These requirements should be incorporated into your planning for reviews of the budget and cost distribution functions.

The IG also reported that M&O contractors did not always revise their disclosure statements in a timely manner and that DOE was not evaluating the statements for compliance with the CAS. While the IG is the cognizant auditor responsible for reviewing/auditing the disclosure statements for adequacy and compliance with the CAS, it is each Field CFO's responsibility to ensure M&O contractors submit disclosure statements and update them in a timely manner. No later than September 30, 1993, all M&O contractors should submit a disclosure statement reflecting their current cost accumulation and distribution practices/procedures. Subsequent to that date, any changes to systems, practices, or procedures that would impact the disclosure statement must be coordinated with the Field CFO in advance and then incorporated into the disclosure statement and submitted for formal review in a timely manner.

Upon receipt of the statements, the IG should be requested by your office to review the statements. After the IG completes its review, each of you, in your capacity as Head of Contracting Activity, and the responsible contracting officer should make a timely determination on the acceptability of the disclosure statement based upon the IG's report/recommendation.

The IG concluded that DOE did not have sufficient visibility over indirect costs and, as a result, could not evaluate the operating efficiency of the functions included in indirect costs. Prior guidance issued by the Department's CFO addresses many of the IG's concerns in this area. For example, overhead budgets must now be reviewed and validated on an annual basis and, like all level of effort programs, be subjected to a "bottoms-up" review over a reasonable period of time, not to exceed 5 years. The previously referenced FY 1995 Unified Budget Call also provided additional guidance for performance of the annual allocated cost budget review and formally established the requirements for M&O contractors to submit monthly reports on allocated costs to the DOE field office. The reports submitted by the contractors may be in their normal reporting formats but must reflect actual versus budgeted results and a variance analysis based upon criteria determined by the Field CFO. Any significant variances and/or budget issues must be resolved to DOE's satisfaction. Problems and issues will be reported in the biweekly reports submitted to the Departmental CFO. Offices that have not already implemented this requirement should do so immediately.

The IG's overall conclusion was that improvements in management and control of the indirect costs were needed because sufficient emphasis had not been placed in this area. While we believe that progress has been made, we share the IG's concern that indirect costs have not historically received sufficient attention. We strongly recommend that control of indirect costs continue to receive a high priority by your office and that the efficiency of indirect costs be constantly scrutinized.

Should you have any questions regarding this memorandum, please contact Jim Reid on (202) 586-4490 or have your staff contact Colin Powers on (301) 903-2941.



Elizabeth E. Smedley
Acting Chief Financial Officer

Attachment

cc:
(See page 3.)

cc:

Richard A. Marquez, AL
 Gordon F. Giarrante, CH
 William I. Winn, FN
 David Hamer, ID
 David L. Marks, NV
 P. Ted Marquess, OR
 Nadine Highland, RL
 Jerry Duffy, RF
 Camille Yuan Soo-Hoo, SF
 Gary Maupin, SR
 John Bender, PNR (thru NE-60)
 William J. Leahy, SNR (thru NE-60)
 Marvin Huntsman, SPRO
 G. L. Allen, PR-10
 Gordon Harvey, IG-30
 David Leclaire, DP-50
 Delmar Mayhew, ER-61
 Paul Grimm, EM-10
 W. James Colsh, NE-13
 Charles Roy, FE-12
 Gary Olson, NE-60
 Carl Gaddis, PNR
 Lynwood Henderson, CR-10
 Helen Sherman, CR-20

Distribution:

Manager, AL
 Manager, CH
 Manager, FN
 Manager, ID
 Manager, NV
 Manager, OR
 Manager, RL
 Manager, RF
 Manager, SF
 Manager, SR
 Manager, PNR (thru NE-60)
 Manager, SNR (thru NE-60)
 Manager, SPRO
 Director, Civilian Radioactive
 Waste Management, RW-1
 Director, Office of Headquarters,
 Accounting Operations, CR-50
 Deputy Assistant Secretary for Strategic
 Petroleum Reserve, FE-4
 Deputy Assistant Secretary, Office of
 Naval Petroleum and Oil Shale Reserves, FE-60

17 (a) Allocable Cost Review Guidance to be followed for the FY 1995 Field Budget Formulation Process

The Cotton & Company, June 1992, review of overhead cost distribution contained three recommendations as highlighted below:

- (1) Security costs are not consistently being allocated on a casual and beneficial relationship to DOE programs.
- (2) Infrastructure and facilities related costs are not always being distributed in accordance with CAS to benefiting programs.
- (3) DOE policy for incrementally allocating overhead costs to construction/capital funded projects is not in accordance with Cost Accounting Standards (CAS).

Based on an assessment of the impact of correcting these allocation improprieties, Field Elements are advised that by FY 1995 all Field Elements are to be in full compliance with CAS concerning allocation of indirect/overhead costs.

With respect to recommendations (1) and (2), Field Elements should budget for these costs so that full compliance with CAS is attained no later than the beginning of FY 1995. This implementation timing permits Field Elements to come into compliance without reprogrammings.

With respect to recommendation (3), beginning in FY 1995, all new construction/capital projects (both OE and PL funded) are to be charged for overhead costs in accordance with applicable CAS. The FY 1995 date and the focus on only new projects is to avoid the need for reprogrammings, minimize changing TEC's of existing projects, and, in some cases, eliminating the need to request additional budget authority for prior year projects.

Below is draft policy related to this issue that is being proposed for DOE Order 2200.6 to appropriately modify DOE's existing policy:

Pending issuance of formal policy guidance regarding the allocation of indirect cost to construction/capital projects by operating contractors, the following should be used for preparing the FY 1995 budget submission:

Cost Accounting Standards require that indirect costs be allocated to cost objectives in reasonable proportion to the causal and beneficial relationship of those costs to cost objectives. For purposes of allocating indirect costs to DOE construction/capital projects this would mean that, in addition to fringe costs and organizational burden, an equitable share of all general and administrative and other site wide common support activities would be charged to all cost objectives regardless of the type of funding. We believe that in most if not all instances this would result in the application of the same overhead/indirect rate to both operating and construction/capital projects. However, this does not preclude the use of a different rate if there are cost centers/costs which are material and do not have a causal and beneficial relationship to construction/capital projects.

Field Elements for FY 1995 budgeting purposes should assume that a financial policy revision similar to the above proposal will be enacted prior to FY 1995. Further guidance including policy revisions will be forthcoming. Financial policy questions should be directed to Robert Myers (CR-22) on (FTS) 202/586-4860. Budget related questions should be directed to Jon Mathis (CR-14) on (FTS) 202/586-3463.

17 (b) ALLOCABLE COST REVIEW PROCESS

- a. Purpose: To describe the process to be used by the Department of Energy (DOE) for review and oversight of Management and Operating (M&O) contractor allocable costs. Allocable costs covered by this process include Overhead, Organizational Burden, Distributed Cost and Service Centers. Excluded at this time from substantive review is Laboratory Directed Research and Development (LDRD). The following review process was developed by a joint DOE-Contractor working group to implement the aspects of DOE order 2200.13, "Oversight of Integrated Contractor Financial Management", related to allocable costs and DOE Order 5100.3, "The Field Budget Process".
- b. Definitions: The following are definitions for the standard types of allocable costs which are subject to review. All costs allocated by an M&O contractor will fit into one of these five categories.
 - (1) **Overhead**. Those allocable costs incurred for the general management, administration and operation of the contractor, or other costs that benefit the entire enterprise which cannot be directly associated with any specific work efforts. These costs are allocated to all or most of the contractors programs on a standard basis. Because of the nature of these costs, there is not a direct relationship between the amount of cost allocated and actual resources consumed.
 - (2) **Laboratory Directed Research and Development (LDRD)**. Costs incurred in accordance with DOE order 5000.4A for the purpose of pursuing new and innovative scientific concepts of benefit to the Department of Energy. Costs are assessed to all or most of the program efforts of the contractor. LDRD is covered by a separate review process embodied in DOE Order 5000.4A and is excluded from substantive review at this time.
 - (3) **Organizational Burden**. Those allocable costs associated with managing direct organizations (i.e., organizations whose labor is charged to and whose primary purpose is to support final cost objectives). Examples include the cost of managers, clerical support, supplies, and contractual services. These costs are generally distributed based on actual direct labor charged by that organization to specific final cost objectives, or to other organizations within the contractor's operation.
 - (4) **Distributed Cost**. Homogenous costs accumulated and allocated on a basis that is representative of the resources used. Includes allocated costs that do not fit in any other category.
 - (5) **Service Centers**. Costs associated with providing a specific service or group of services where the costs are accumulated and then allocated based on a standard rate(s) representative of the services used. Commonly referred to as a "recharge", an assessment for the service is only made if a service is

rendered (e.g. buy by the drink).

c. DOE's Oversight and Review of Contractor Allocable Costs consists of several major elements.

(1) Approval of the contractor's cost accumulation and distribution policies and practices by the DOE Field Office, as well as significant changes to these policies or practices. The policies and practices, as approved by DOE, should be in the form of a Cost Accounting Standards (CAS) disclosure statement or must otherwise include the elements of a disclosure statement. DOE will approve all practices that materially impact the outcome of cost allocations including description and definition of cost pools, content of the pools and the basis for allocation. (Any changes that would impact the current cost accounting disclosure statement or its equivalent are considered to be significant.)

(2) An Annual Allocated Cost Budget Review:

(a) An annual allocated cost budget review will be conducted by the Field Office during the first quarter of the fiscal year. This review will, at a minimum, cover overhead and may, at the discretion of DOE, include other categories of allocated costs. While this review will focus on the execution year (CY), it will also include a determination that estimated outyear (CY+1 and CY+2) budgets/allocation bases are appropriate for the budget submittals in the forthcoming budget years. This review will be broad-based and, at a minimum, will include the following:

- 1 Evaluate the adequacy of the contractor's budget formulation process and verify that the budget was developed in accordance with this process.
- 2 Ensure that the contractor has established appropriate documentation standards to support the budget estimates and that these standards are being followed.
- 3 Assess the overall reasonableness of the budget levels and allocation bases for the current year and out years:
 - a Determine that the overall budget assumptions used by the contractor are reasonable.
 - b Analyze the budget and allocation base trends to determine that these trends are appropriate based on the circumstances.
 - c Determine that the priorities used, and the

tradeoffs made, by the contractor in developing the budget are reasonable.

- (b) The end product of this review is a contractor budget which is reasonable, supportable, and acceptable to DOE. In making this determination, the Field Office will consult with the affected Program Secretarial Officers (PSO) and Chief Financial Officer (CFO), DOE Headquarters. Any significant changes in the contractor's allocable cost budgets during the year will be reviewed and ratified by the Field Office. In addition, the Field Office will identify any issues or major uncertainties that may materially impact the budget estimates and surface these issues to the CFO, DOE Headquarters.
- (c) Accompanying the submission of the budget to Congress, Laboratory Tables reflecting the President's Budget Submission will be issued for CY, CY+1 and CY+2. These data, along with other information available to the Field Office and contractor, shall be used to update the allocated cost budget, as appropriate, to be consistent with the President's budget.
- (d) The contractor will submit, through the Field Office, an annual report, to the CFO, as well as a copy to the Landlords and Lead PSOs. This report shall be prepared in a common structure determined by DOE and will cover the PY, CY, CY+1, and CY+2.
- (e) The required Allocable Cost Report exhibits with their corresponding definitions and instructions for completion are listed below:
 - 1 Summary (see Figure III-25). The total overhead costs in this category should be equal to line 21 of the overhead costs by common categories schedule (Figure III-26). The total Organizational Burden Costs line should equal line 5 of the Organizational Burden Costs by Common Categories schedule (Figure III-27). The total Direct Costs line represents all direct costs including those costs associated with plant and capital equipment. The net cost of operations line should include costs which are verifiable and traceable to the accounting system.
 - 2 Overhead Costs by Common Categories (see Figure III-26). For definitions of the Common Categories, please see section 17.d.
 - 3 Organizational Burden Costs by Common Categories (see Figure III-27). For definitions of the Common Categories, please see section 17.d.

- 4 **Explanation of Changes - Overhead** (see Figure III-28). These exhibits (one for overhead and one for organizational burden) should explain significant changes from: 1) FY 19PY to FY 19CY; 2) from FY 19CY to FY 19CY+1; and 3) from FY 19CY+1 to FY 19CY+2. Increases should be explained in terms of FTEs, specific program efforts or actions, or other appropriate measurements, and must be specifically related to the requirements which caused the increase (management initiatives, DOE Orders, etc.). Citing only the requirement which caused the increase is not sufficient (for example it is not sufficient to merely cite DOE Order 5480.11 as a reason). Explanations should be divided by the twenty categories. Within these categories, the dollar impact of each item of explanation must be separately broken out in the column on the right hand side of the page. Significant decreases and significant increases within a category must be described, even if the total net change to the category is relatively small. Inflation should be broken out as a separate item of explanation for each category. The inflation rate prescribed by OMB is provided elsewhere in the Unicall. If the inflation rate used is not consistent with rates prescribed by OMB (and this will occur only rarely), cite the correspondence from the Field Office in which the different rate was approved.
- 5 **Explanation of Changes - Organizational Burden** (see Figure III-29). Instructions for completing this exhibit is discussed in the above paragraph, "Explanation of Changes - Overhead".
- 6 **Allocation of Cost Centers/Organization for Overhead by Common Category** (see Figure III-30).
- 7 **Allocation of Overhead Cost by Pool by Decision Unit** (see Figure III-31)
- 8 **Allocation of Overhead Cost by Decision Unit** (see Figure III-32).
- 9 **Allocation of Organization Burden Cost by Decision Unit** (see Figure III-33)

(f) The timeline for this review is as follows:

- 1 Oct 1 through Dec 31 (specific dates within this part of the timeline will be determined by the Field Office):

- a Submission of M&O Contractor Allocable Cost Budgets to Field Office.
 - b Field Office reviews M&O Contractor budget submission and makes recommendations for CY, CY+1, and CY+2.
 - c Field Office recommendations coordinated with the CFO and the appropriate PSO(s).
 - 2 Approximately Feb 4: Lab Tables issued reflecting President's Budget Submission.
 - 3 Mar 1: Annual Report due from the Field Offices to the CFO.
- (3) An ongoing review and verification of a contractor's cost accumulation and distribution practices by the DOE Field Office in accordance with DOE Order 2200.13. The Field Office may use a risk-based approach in deciding which pools are to be reviewed, and their sequence. In addition, the Field Office will provide a Five Year Plan for this ongoing review to the DOE CFO and update the plan on an annual basis.
- (a) The reviews conducted by the Field Office, at a minimum, will include the following:
- 1 Examine the budgeted and actual composition of the pool(s) to determine that the costs charged to pools are appropriate. The examination will include, as necessary, a review of transactions.
 - 2 Verify that cost was accumulated and allocated in accordance with policy (e.g. CAS disclosure statements).
 - 3 Validate the appropriateness of the allocation base.
 - 4 Evaluate the reasonableness of costs budgeted and incurred.
 - 5 Determine that the cost belongs in the pool/cost center/organization and is not more appropriately charged direct or allocated via another pool/cost center/organization.
 - 6 Determine that circumstances still warrant the need for the pool and that the cost should not be accumulated and allocated in some other manner.
 - 7 Review may include a consideration of allowability of cost.

- (b) The product of this review is an internal report prepared by the Field Office for use in resolving issues with the contractor. Any significant problems or issues arising from the reviews will be reported to the DOE CFO through the normal CFO bi-weekly reporting process.
- (4) Monitoring of the contractor's allocated costs against budget shall be performed by the DOE Field Office on a monthly basis using the contractor's normal reporting format. At the beginning of the fiscal year the contractor shall provide a time-phased allocated cost plan as specified by the Field Office. The contractor shall provide a variance analysis based upon criteria determined by the Field Office. The Field Office will ensure that significant variances and budget issues which may arise are resolved to DOE's satisfaction. Problems and issues will be reported to the CFO in the regular bi-weekly reports.
- d. Definitions of The Common Categories. Note that the detail provided for some of the common categories is included here only for the purposes of explanation. Detail below the level of the 20 common categories is not required in the annual report. Questions on these common category definitions should be directed, through the cognizant Field Office, to Jon Mathis, (202) 586-3463. Resolution of such questions in this way will help to ensure that the application of these definitions is consistent throughout DOE and its' M&O contractors.
- (1) **Executive Direction.** Includes costs associated with the highest level of M&O contractor management having full authority over all laboratory activities. Examples of activities in this account might be the Laboratory Director, his immediate staff (Secretary, Special Assistants, etc.), Science Advisors, and Deputy Directors (not other office directors).
- (2) **Human Resources.** Includes costs associated with recruiting, wage and salary administration, equal employment opportunity activities, benefits administration, training services, industrial relations, personnel records, employee claims, adjudications, grievances, arbitration, and other personnel services.
- (3) **Chief Financial Officer.** Includes costs associated with activities of a financial nature, such as accounting, budgeting, payroll, internal audit.
- (4) **Procurement.** Includes costs associated with activities related to contracting, purchasing, and acquisition of resources to conduct activities.
- (5) **Legal.** Includes costs associated with legal counsel support.

- (6) **Logistics Support.** Includes costs associated with shipping and receiving, transportation, warehousing, motor pools, property management, and other logistic support activities.
- (7) **Administrative Support.** Includes costs associated with clerical support pools, travel support, food service, office management activities, printing and graphic support, and general purpose libraries.
- (8) **Quality Assurance.** Includes costs associated with the management of all quality assurance and reliability activities which are institution-wide, such as overall management and the development of guidelines. Otherwise, the activity should be reported in organizational burden.
- (9) **Management/Award Fee.** The management allowance is an amount paid to not-for-profit educational institutions for the equivalent of home or corporate office G&A expenses. The award fee is a fee that is paid to a contractor based on performance.
- (10) **Taxes.** Includes state and municipal taxes other than those which are payroll related.
- (11) **Information Services.** Includes costs associated with activities listed below for institutional or general purpose services. Information services procured for and specifically dedicated to a program or research project are not included here. For example, personal computers used within a program are not included here but are charged to organizational burden or other direct mission support.
 - (a) Automated Data Processing (ADP) Services. Includes Central Computer Facility or service organization for facility (excludes program dedicated computer activities).
 - (b) Communications. Includes mail, both electronic and hard copy.
 - (c) Networking. Groups of computers that communicate with each other, share peripherals, and access remote hosts or other networks.
- (12) **Environment - Institutional.** Includes costs associated with the development, implementation and maintenance of effluent controls, environmental monitoring and surveillance, permitting and refuse removal. (Excludes programmatic costs charged directly to Environmental Restoration and Waste management B&Rs.) These activities, performed on a routine basis at active facilities, are necessary to maintain compliance with Federal, State and Local regulations, as well as applicable DOE Orders and Directives. Includes oversight and assurance

activities. The environmental base activity includes:

- (a) Auditing and Evaluation. Includes comprehensive environmental audits at small DOE sites as well as environmental management audits of DOE line management activities. These audits are done as a routine mechanism to assure environmental compliance with internal and external Directives, including the National Environmental Policy Act (NEPA). Encompasses costs associated with implementation of the Environmental, Safety and Health Compliance Assessment activities (such as related "Tiger Team" activities). Also includes the development of performance objectives and environmental auditing procedures.
 - (b) Effluent and Environmental Monitoring and Surveillance. Monitoring activities include data base monitoring as required by DOE Directive or compliance monitoring as required by the environmental regulatory authorities.
 - (c) Permitting. Includes those activities involved in reporting the results of environmental monitoring, analysis, and evaluation. These activities are necessary to obtain permits from regulatory agencies regarding plant releases and/or discharges.
 - (d) Refuse Collection and Removal. Includes all refuse collection and removal except sanitary waste disposal systems which are considered utilities.
- (13) **Safety & Health - Institutional**. Includes costs associated with all aspects of DOE and operating contractor Safety and Health programs. Excludes programmatic costs charged directly to Environmental Restoration and Waste Management B&Rs.
- (a) Emergency Preparedness. Emergency Preparedness includes all those activities that are intended to provide personnel with a special capability to respond to incidents and accidents. Activities in this area include maintenance/inspection of emergency facilities and equipment: emergency response team personnel training, drills and exercises; maintaining/updating of current emergency plans based onsite specific safety analyses; coordination with Stat and local authorities and Federal agencies. Plant and equipment that are part of safety systems relied upon to prevent or mitigate accidents (HVAC process monitors, etc.) are not included in this area, but are addressed in Industrial Safety or Nuclear Safety, but the physical plant and equipment provided for normal and emergency egress are addressed in Industrial Safety.
 - (b) Fire Protection. Fire Protection includes all those

activities that are intended to prevent, detect, alert and suppress fires. Activities in this area include fire prevention; fire detection; fire suppression systems; related inspections and testing; fire fighting and emergency response; loss prevention; operation of ambulances and fire fighting equipment; testing and inspection of fire protection equipment and alarm systems; flammable and explosive material control; training/certification to NFPA, state and local requirements; review of construction and design plans for fire hazards; and mutual aid agreements with local authorities. This area excludes those fire protection activities and/or systems that are solely for the benefit or protection of nuclear systems, storage areas, and/or processes (e.g., glove box inerting systems). These excluded activities are to be included in Nuclear Safety.

- (c) Industrial Hygiene. Industrial Hygiene includes all those activities that are intended to provide protection to workers from physical and physiological hazards. Activities in this area include engineered/redesign of tasks, ventilation, substitution of less hazardous materials, written and verbal communication of real and perceived hazards, personnel protection, laser protection and physiological stress. This area does not include medical surveillance, employee medical records, and exposure of workers to radioactivity (note that non-ionizing radiation is included.)
- (d) Industrial Safety. Industrial Safety includes all those activities that are intended for the protection of workers from physical trauma. Activities in this area include electrical safety; machinery and machine guarding; personnel protection; accident investigation; compressed gas and pressure system safety; hoisting, rigging, and material handling; lockout/tag-out; confined space controls; platform, man-lift and scaffolding usage; safe surfaces for walking and working; cutting, welding and brazing safety; hand and portable power tool safety; explosives and hazardous material handling, storage and use; construction safety; firearms safety; and facility egress.
- (e) Occupational Medical Services. Occupational Medical Services include all those activities that are intended to provide a comprehensive occupational medical program. Activities in this area include employee health examinations such as pre-placement and qualification, periodic, return to work, fitness for duty, and termination examinations; diagnosis and treatment of occupational illnesses and injuries; employee health counseling (employee assistance program and wellness);

maintenance of medical records; emergency medical treatment and triage; specialized medical equipment; and immunization programs.

- (f) Nuclear Safety. Nuclear Safety includes all those activities that are intended to maintain criticality safety and nuclear operations safety. Activities in this area include control of systems and parameters within subcritical limits, and use of systems, procedures, equipment, analyses, programs and personnel to ensure safe nuclear reactor and nuclear non-reactor operations. The physical systems, personnel and programs to provide nuclear material accountability, safeguards, and security are not included in the S&H Five-Year Plan.
- (g) Radiation Protection. The Radiation Protection includes all those activities that are intended to control exposures of workers and the public to radioactivity. Activities in this area include control equipment and procedures for radiation sources; interlocks, instrumentation and shielding for radiation-generating devices; equipment and procedures used to minimize or mitigate external exposure; personnel dosimetry, bioassay program, and ALARA programs; control of paths for inhalation or ingestion of radiation; radiation-exposure records; fixed and portable instrumentation for radiation detection and measurement; and contamination control; effluent monitoring and release; and environmental monitoring and remediation.
- (h) Transportation Safety. Transportation Safety includes all those activities that are intended to ensure safe packaging and transportation. Activities in this area include packaging certification; coordination of intra- building and onsite movements and transfers; offsite and international shipments; transportation (including marking and labeling) of hazardous material; inspection/maintenance of transportation equipment; testing and technology of transportation operators; aviation safety; motor vehicle safety; watercraft safety; and rail safety.
- (i) Management and Oversight. Management and Oversight includes all those activities that are intended to coordinate, direct, integrate and control S&H activities across multiple areas. Activities in this area include S&H documentation and document control activities; configuration management; S&H performance trending, analyses, and lessons learned feedback; corrective action tracking; S&H self-assessment activities; dedicated internal S&H personnel; coordination and communication with DOE, state, and local authorities; internal audits

and surveillance; external S&H program reviews; operational readiness reviews; and performance and documentation of comprehensive safety analyses. Nuclear safety analyses are included in Nuclear Safety. Program elements such as quality assurance, management systems, oversight, and physical infrastructure are inherent to all areas and are intended to be accounted for in the specific areas.

- (14) **Facilities Management/Plant Engineering.** Includes all costs associated with the upkeep of the facility and its ability to function effectively in performing its mission, site-wide. Specifically includes:
- (a) Engineering. Activities including plant and maintenance engineering.
 - (b) Custodial Services. Includes activities for janitorial services including some non-maintenance roads and grounds work, such as grass cutting, street sweeping and snow removal.
 - (c) Rental of Buildings/Land. Activities including leases, rental, and any real property third party financing agreements.
 - (d) Other. Includes all other activities involving facilities management/plant engineering not defined above.
- (15) **Maintenance.**
- (a) Includes all costs associated with preventive maintenance, predictive maintenance, and corrective maintenance of all building structures, utilities and equipment (maintained by the maintenance organization not program staff), general purpose common design equipment, site infrastructure components, and road and grounds.
 - 1 Preventive maintenance includes all those systematically planned and scheduled actions performed for the purpose of preventing equipment, system, or facility failure.
 - 2 Predictive maintenance includes actions necessary to monitor, find trends, and analyze the parameters, performance characteristics, properties, and signatures associated with equipment, systems, or facilities that are indicative of decreasing performance or impending failure.
 - 3 Corrective maintenance is the repair of failed or malfunctioning equipment, system, or facility to restore the intended function or design condition.

restore the intended function or design condition. This maintenance does not result in a significant extension of the expected useful life.

- 4 Maintenance functions include supervision; planning and scheduling; storage and staging of materials and supplies; calibration, care, repair, and storage of equipment used in monitoring or for the performance of maintenance work; and similar activities.

(b) Also includes all costs associated with the following work, if this work is routinely performed by the maintenance organization.

- 1 Work performed in relocating or installing partitions, office furniture, and other associated activities.
- 2 Work usually associated with the removal, moving and placement of equipment.
- 3 Improvement work performed directly by in-house workers or in support of construction contractors, accomplishing an improvement or betterment.

(16) **Safeguards and Security.** Includes all costs associated with the development and implementation of a Safeguards and Security program to protect nuclear materials, nuclear weapons, classified information, and government property from theft, sabotage, espionage, or other acts that may cause adverse impacts on national security or harm to the public health and safety. Specifically includes the following:

- (a) Program Direction. Includes all personnel and operating costs for program management, vulnerability assessments, S&S planning process; professional development and training, inspections, surveys, assessments, facility approval (including Foreign Ownership, Control, or Influence), tests and evaluations, policy oversight and administration, and technology development oversight and program management, associated with the Safeguards and Security Program.
- (b) Protective Forces. Includes all personnel and operating costs associated with Protective Forces. This includes such things as salaries, overtime, benefits, travel, materials and supplies, uniforms, equipment, facilities, vehicles, helicopters, training, communications, and federal and contractor management and oversight of protective forces.
- (c) Physical Security Protection Systems. Includes all personnel and operating costs associated with designing,

installing, performance testing, contraband detection, alarm communications and control, intrusion detection and assessment, barriers and access denial, entry and egress control, vital components tamper-safing, and monitoring.

- (d) Transportation. All security related transportation costs for transport of special nuclear materials, weapons, and other classified material. Include such costs as personnel, equipment, facilities security upgrades to vehicles, and communications.
 - (e) Information Security. Includes all personnel and operating costs associated with classified documents and material, classification, unclassified controlled nuclear information, security infractions, computer security, technical surveillance countermeasures, and operations security.
 - (f) Material Control and Accountability (MC&A). Includes all personnel and operating costs associated with control and accountability of special nuclear materials (SNM), nuclear weapons, test devices and weapons components. Includes MC&A access areas, surveillance, containment, detection, assessment, testing, transfers, verifications and measurements, inventories, reconciliation and statistical analyses.
 - (g) Research and Development. Includes all personnel and operating costs associated with research and development of physical security, information security, personnel security, material control and accountability, integrated systems, vulnerability assessment methods, technology application and tests, and technology transfer to users or potential vendors.
- (17) Laboratory Directed Research & Development. Costs incurred in accordance with DOE Order 5000.4A for the purpose of pursuing new and innovative scientific concepts of benefit to the Department of Energy. Costs are assessed to all or most of the program efforts of the contractor.
- (18) Information/Outreach Activities.
- (a) Public Relations/Information. Includes all costs associated with activities which provide non-technical information about the M&O contractor, and its activities to the general public, news media, etc.
 - (b) Technology Transfer. Includes all costs associated with activities that encourage the further development of promising technologies; disseminate information to appropriate researchers, organizations, industry,

governmental bodies, and other institutions; and other activities that assist in effecting the introduction of technologies into the marketplace.

- (c) Technical Information Management. Includes all costs associated with activities to develop and make available technical information resulting from programs that are executed at the M&O Contractor, including technical research libraries.
- (d) Educational Programs. Includes all costs associated with M&O contractor sponsored programs providing funding for undergraduate and graduate course work generally in scientific disciplines.
- (e) Employee Outreach Programs. Includes all costs associated with activities by M&O contractor employees utilizing their technical expertise for the benefit of entities external to the M&O contractor.
- (f) Other Information/Outreach Activities. Includes all costs associated with other information or outreach activities that are not defined above.

(19) Utilities.

- (a) Includes all costs associated with labor, "operating" plants, and equipment needed to provide electric power, heat, steam, chilled water, potable water, and sanitary waste disposal to support business and research. (Excludes utility engineering costs.) Examples include:
 - 1 Central Steam Facility - including the fuel handling and storage facilities, all assigned personnel, and the main steam distribution system.
 - 2 Central Chilled Water Facility - including all assigned personnel and the main chilled water distribution system.
 - 3 The domestic water supply system - including wells, treatment facilities, storage tanks and the main distribution system, and all assigned personnel.
 - 4 The sanitary waste disposal system - including the main collection system, treatment facilities, and all assigned personnel.
 - 5 Electrical power distribution system including main substations and high-voltage distribution systems, and all assigned personnel.

6 Includes processed gasses when significant.

- (b) Includes all costs associated with contract Services in support of utilities. Includes contracts for: Fuel, Water treatment chemicals, Service contracts for controls systems, and all other service contracts in support of the utilities identified in paragraph 10a., above.
 - (c) Also includes all costs associated with telecommunication (i.e, communication by electronic transmission of impulses over telephone lines).
- (20) Other. Includes all costs which are institutional in nature but not identified in another Common Cost Category. On a separate sheet of paper, provide an explanation of any item included in this line which exceeds 1 percent of the total overhead cost shown in line 21 below.
- (21) Total Overhead Cost. This total line represents the sum of above 20 cost categories.

**U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
SUMMARY**
(In Thousands of Dollars)

**FIELD OFFICE:
M&O CONTRACTOR:**

	19PY Dollars	19CY Dollars	19CY+1 Dollars	19CY+2 Dollars
1. Total Overhead Costs 1/				
2. Total Organizational Burden Costs 2/				
3. Total Overhead Costs and Organizational Burden Costs				
4. Total Direct Costs 3/				
5. Less: Cost of Work Performed for Others (Non-DOE funds)				
6. Less: Cost of Work Performed for Others (DOE funds only)				
7. Net Costs of Operations 4/				

- 1/ This line must equal line 21 of the Overhead Costs by Common Categories Exhibit.
2/ This line must equal line 5 of the Organizational Burden Costs by Common Categories Exhibit.
3/ This line should include Operating Expense, Capital Equipment and Construction.
4/ This line equals the sum of lines 3 through 6 of this Exhibit and must tie to the 813X account.

**Figure III-25
Summary**

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
OVERHEAD COSTS BY COMMON CATEGORIES
(In Thousands of Dollars)

FIELD OFFICE:
M&O CONTRACTOR:

COST CATEGORY	19PY						19CY+1						19CY+2					
	Dollars			FTEs			Dollars			FTEs			Dollars			FTEs		
1. Execution Direction																		
2. Human Resources																		
3. Chief Financial Officer																		
4. Procurement																		
5. Legal																		
6. Logistics Support																		
7. Administrative Support																		
8. Quality Assurance																		
9. Management/Allowance Fee																		
10. Taxes																		
11. Information Services																		
12. Environment - Institutional																		
13. Safety & Health - Institutional																		
14. Facilities Mgmt/Engineering																		
15. Maintenance																		
16. Safeguards & Security																		
17. Laboratory Directed R&D																		
18. Information/Outreach Activities																		
19. Utilities																		
20. Other 1/																		
21. Total Overhead Costs																		

1/ Provide an explanation of any item included in this line which exceeds one percent of the total overhead cost shown in line 21.

Figure III-26
Overhead Costs by Common Categories

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
ORGANIZATIONAL BURDEN COSTS BY COMMON CATEGORIES
(In Thousands of Dollars)

FIELD OFFICE:
M&O CONTRACTOR:

COST CATEGORY	19PY		19CY		19CY+1		19CY+2	
	Dollars	FTEs	Dollars	FTEs	Dollars	FTEs	Dollars	FTEs
1. Labor (Salaries & Benefits)								
2. Procurement								
3. Allocated Costs								
a. Facilities/Space								
b. Utilities								
c. Distributed Costs								
4. Other								
5. Total Organizational Burden Costs								

Figure III-27
Organizational Burden Costs by Common Categories

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
EXPLANATION OF CHANGES - OVERHEAD
(In Thousands of Dollars)

Field Office:

M&O Contractor:

<u>FY 19PY TOTAL</u>	10,000
----------------------	--------

<u>1. Executive Direction</u> - The laboratory director's staff was increased by 3 FTEs to manage an additional 45 personnel.	+270
---	------

<u>2. Human Resources</u>	
---------------------------	--

<u>3. Chief Financial Officer</u>	
-----------------------------------	--

<u>4. Procurement</u>	
-----------------------	--

<u>5. Legal</u> - The legal staff was increased by 10 FTEs to respond to the XYZ legal issues. It is anticipated that these issues will be resolved by the end of FY 19CY+2.	+750
--	------

<u>6. Logistics Support</u>	
-----------------------------	--

<u>7. Administrative Support</u>	
----------------------------------	--

<u>8. Quality Assurance</u>	
-----------------------------	--

<u>9. Management/Allowance Fee</u>	
------------------------------------	--

<u>10. Taxes</u>	
------------------	--

<u>11. Information Services</u> Inflation - OMB prescribed rate.	+100
---	------

<u>12. Environment - Institutional</u> Inflation. Above OMB rate as approved in Field Office correspondence of X/X/X.	+50
--	-----

<u>13. Safety and Health - Institutional</u>	
--	--

14. Facilities Mgmt/Engineering

Reduced maintenance due to FY 19CY shutdown of facility XYZ
DOE Order XXXX will require acceleration of the repair of
facility ZZZ from FY 19CY+2 to FY 19CY.

-600
+200

15. Maintenance

16. Safeguards and Security

17. Laboratory Directed R&D

18. Information/Outreach Activities

19. Utilities

20. Other

FY 19CY TOTAL

10,770

(Use the same 20 categories)

FY 19CY+1 TOTAL

10,770

(Use the same 20 categories)

FY 19CY+2 TOTAL

10,770

Note: Categories without a variance should be omitted from this schedule. Remaining categories should retain the same line number (for example, '19. Utilities') as is shown on the Overhead Cost by Common Categories Exhibit.

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
EXPLANATION OF CHANGES - ORGANIZATIONAL BURDEN
(In Thousands of Dollars)

Field Office:

M&O Contractor:

<u>FY 19PY TOTAL</u>	10,000
----------------------	--------

1. Labor

2. Procurement

3.a. Allocated Costs: Facilities/Space

3.b. Allocated Costs: Utilities

3.c. Allocated Costs: Distributed Costs

4. Other

<u>FY 19CY TOTAL</u>	10,770
----------------------	--------

(Use the same six categories)

<u>FY 19CY+1 TOTAL</u>	10,770
------------------------	--------

(Use the same six categories)

<u>FY 19CY+2 TOTAL</u>	10,770
------------------------	--------

**Note: Categories without a variance should be omitted from this schedule.
Remaining categories should retain the same line number as is shown on the
Organizational Burden by Common Categories Exhibit.**

U.S. DEPARTMENT OF ENERGY
 ALLOCABLE COST REPORT
 ALLOCATION OF COST CENTERS/ORGANIZATION
 FOR OVERHEAD
 BY COMMON CATEGORY
 (In Thousands of Dollars)

FIELD OFFICE: _____

M&O CONTRACTOR: _____

COMMON OVERHEAD CATEGORY

19PY

19CY

Executive Direction*

Cost Center/Organization #1
 Cost Center/Organization #4 1/
 Cost Center/Organization #200

Human Resources

Cost Center/Organization #4 1/
 Cost Center/Organization #7
 Cost Center/Organization #201

Information Services

Cost Center/Organization #8 2/

Environmental - Institutional

Cost Center/Organization #8 2/
 Cost Center/Organization #26

ETC.

ETC.

Total, M&O CONTRACTOR *

EXPLANATION OF CENTERS/ORGANIZATIONS THAT ARE SPLIT AMONG COMMON OVERHEAD CATEGORIES:

1/ Cost Center/Organization #1 is split between Executive Direction and Human Resources.
 The basis for the split is ...

2/ Cost Center/Organization #8 is split between Information Services and Environmental- Institutional.
 The basis for the split is ...

* The Total, M&O Contractor line should equal line 1 on the Allocable Cost Report - Summary Exhibit.

Note: The categories listed on this Exhibit should be the same as the categories listed on the Overhead Costs by Common Categories Exhibit.

Figure III-30
 Allocation of Cost Centers/Organization for Overhead by Common Category

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
ALLOCATION OF OVERHEAD COST
BY POOL BY DECISION UNIT
(In Thousands of Dollars)

FIELD OFFICE: _____

M&O CONTRACTOR: _____

DECISION UNITS 1/

19PY

19CY

NAME OF POOL 1

ASSISTANT SECRETARY FOR CONSERVATION
AND RENEWABLE ENERGY
Electric Energy Systems
Geothermal

ASSISTANT SECRETARY FOR ENVIRONMENTAL
RESTORATION AND WASTE MANAGMENT
Corrective Actions (ESR&D)
Corrective Actions (DER&WM)

DIRECTOR, OFFICE OF ENERGY RESEARCH
Fusion Energy
Basic Energy Sciences
Biological and Environmental Research

CHIEF FINANCIAL OFFICER - HEADQUARTERS
Cost of Work For Others (Dept. Admin)
Reimbursables

TOTAL, POOL 1

NAME OF POOL X

ETC.

ETC.

ETC.

TOTAL, POOL X

Total, M&O CONTRACTOR 2/

1/ The decision units listed on this exhibit should be the same as the approved listing of decision units for the Department.

2/ The Total, M&O Contractor line should equal line 1 on the Allocable Cost Report - Summary Exhibit.

Figure III-31
Allocation of Overhead Cost by Pool by Decision Unit

U.S. DEPARTMENT OF ENERGY
ALLOCABLE COST REPORT
ALLOCATION OF OVERHEAD COST
BY DECISION UNIT
(In Thousands of Dollars)

FIELD OFFICE:
M&O CONTRACTOR:

DECISION UNITS 1/

19CY+1

19CY+2

ASSISTANT SECRETARY FOR CONSERVATION
AND RENEWABLE ENERGY
Electric Energy Systems
Geothermal

ASSISTANT SECRETARY FOR ENVIRONMENTAL
RESTORATION AND WASTE MANAGMENT
Corrective Actions (ESR&D)
Corrective Actions (DER&WM)

DIRECTOR, OFFICE OF ENERGY RESEARCH
Fusion Energy
Basic Energy Sciences
Biological and Environmental Research

CHIEF FINANCIAL OFFICER - HEADQUARTERS
Cost of Work For Others (Dept. Admin)
Reimbursables

ETC.
ETC.
ETC.

Total, M&O CONTRACTOR 2/

1/ The decision units listed on this exhibit should be the same as the approved listing of decision units for the Department.

2/ The Total, M&O Contractor line should equal line 1 on the Allocable Cost Report - Summary Exhibit.

Figure III-32
Allocation of Overhead Cost by Decision Unit

U.S. DEPARTMENT OF ENERGY
 ALLOCABLE COST REPORT
 ALLOCATION OF ORGANIZATIONAL BURDEN COST
 BY DECISION UNIT
 (In Thousands of Dollars)

FIELD OFFICE: _____

M&O CONTRACTOR: _____

<u>DECISION UNITS</u> <u>1/</u>	<u>19PY</u>	<u>19CY</u>	<u>19CY+1</u>	<u>19CY+2</u>
ASSISTANT SECRETARY FOR CONSERVATION AND RENEWABLE ENERGY Electric Energy Systems Geothermal				
ASSISTANT SECRETARY FOR ENVIRONMENTAL RESTORATION AND WASTE MANAGMENT Corrective Actions (ESR&D) Corrective Actions (DER&WM)				
DIRECTOR, OFFICE OF ENERGY RESEARCH Fusion Energy Basic Energy Sciences Biological and Environmental Research				
CHIEF FINANCIAL OFFICER - HEADQUARTERS Cost of Work For Others (Dept. Admin) Reimbursables				
ETC.				
ETC.				
ETC.				
Total, M&O CONTRACTOR <u>2/</u>	_____	_____	_____	_____
	=====	=====	=====	=====

1/ The decision units listed in this exhibit should be the same as the approved listing of decision units for the Department.

2/ The Total, M&O Contractor line should equal line 2 on the Allocable Cost Report - Summary Exhibit.

Figure III-33
 Allocation of Organization Burden Cost by Decision Unit